

**M00M**  
**Developmental Disabilities Administration**  
 Department of Health and Mental Hygiene

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 04</u></b>	<b><u>FY 05</u></b>	<b><u>FY 06</u></b>	<b><u>FY 05-06</u></b>	<b><u>% Change</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$383,277	\$399,783	\$414,804	\$15,020	3.8%
Special Fund	2,794	3,368	3,480	112	3.3%
Federal Fund	178,919	198,507	218,576	20,069	10.1%
Reimbursable Fund	<u>426</u>	<u>427</u>	<u>439</u>	<u>12</u>	<u>2.8%</u>
<b>Total Funds</b>	<b>\$565,416</b>	<b>\$602,085</b>	<b>\$637,298</b>	<b>\$35,213</b>	<b>5.8%</b>
Contingent & Back of Bill Reductions			-1,571	-1,571	
<b>Adjusted Total</b>	<b>\$565,416</b>	<b>\$602,085</b>	<b>\$635,728</b>	<b>\$33,642</b>	<b>5.6%</b>

- The fiscal 2006 allowance includes an additional \$16.2 million to increase the wages and benefits of direct care service workers employed by community providers.
- Language in the Governor's proposed budget would reduce the appropriation for Rosewood Center by \$1.2 million contingent on enactment of legislation authorizing the use of monies from the Community Services Trust Fund to deinstitutionalize 40 residents in fiscal 2006.

***Personnel Data***

	<b><u>FY 04</u></b>	<b><u>FY 05</u></b>	<b><u>FY 06</u></b>	<b><u>FY 05-06</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	1,249.15	1,240.15	1,235.15	-5.00
Contractual FTEs	<u>69.01</u>	<u>105.12</u>	<u>105.14</u>	<u>0.02</u>
<b>Total Personnel</b>	<b>1,318.16</b>	<b>1,345.27</b>	<b>1,340.29</b>	<b>-4.98</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	52.49	4.25%
Positions Vacant as of 12/31/04	102.40	8.26%

Note: Numbers may not sum to total due to rounding.

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- Four positions are abolished in the fiscal 2006 allowance in the area of food services as part of a departmental effort to reduce costs in this area. A fifth position is deleted because it was twice budgeted in the administration.

## ***Analysis in Brief***

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### **Major Trends**

***Growth in Funding for Community Services Continues:*** Growth in funding reflects the commitment of State funds to expand the availability of community services and increase wages for employees of private providers.

***Administration Increases Federal Fund Attainment:*** The growth in federal funds for community services reflects the administration's efforts to expand availability of and enrollment in the Medicaid waiver.

### **Issues**

***Results of the Second Year of the Wage Initiative Unclear:*** The results of a Community Services Reimbursement Rate Commission survey indicate that funds appropriated for the wage initiative in fiscal 2004 had no impact on increasing the salaries of direct care service workers. Other sources of data indicate that funds may be reaching intended recipients.

***Requests for Services Reflect Greater Anticipation of Need:*** The waiting list initiative brought attention to the availability of State-supported community services. While the number of applications continues to grow, requests for services indicate that individuals and families are increasingly applying for services in anticipation of future needs.

***Reductions in Census Support Facility Closure:*** Savings are possible in fiscal 2006 by moving residents of Potomac Center to community settings or alternate State facilities.

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**Recommended Actions**

	<b><u>Funds</u></b>
1. Delete funds for a grant to Special Olympics of Maryland.	\$ 100,037
2. Add language that requires the department to report on the wage initiative	
3. Delete funds to increase compensation for community direct service workers.	16,239,575
4. Add language to reduce the Potomac Center appropriation contingent on enactment of budget reconciliation legislation.	
<b>Total Reductions</b>	<b>\$ 16,339,612</b>

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## ***Operating Budget Analysis***

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### **Program Description**

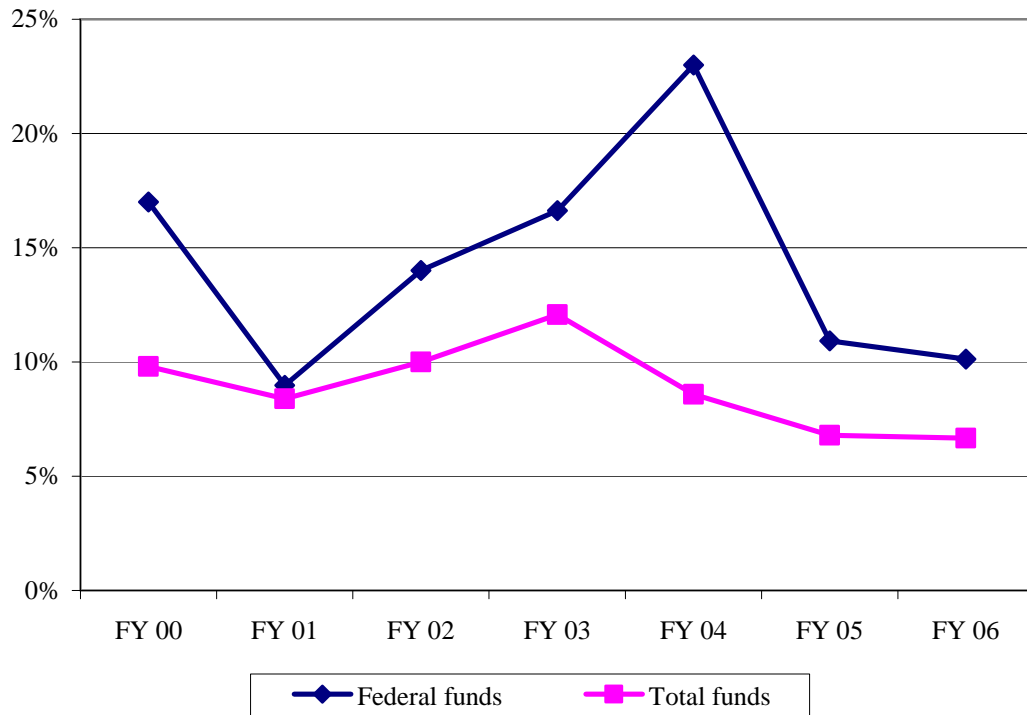
A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and which is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, mental retardation, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to these individuals in four State residential centers and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. Goals of the administration include:

- empowerment of the developmentally disabled and their families;
- integration of individuals with developmental disabilities into community life;
- provision of quality support services that maximize individual growth and development; and
- establishment of a responsible, flexible service system that maximizes available resources.

### **Performance Analysis: Managing for Results**

Managing for Results data in **Exhibit 1** reflect the priority DDA has placed on integrating individuals with developmental disabilities into community life, reinforced by the Supreme Court's ruling in *L.C. v. Olmstead*. The court ruled that, according to the Americans with Disabilities Act, no person may be required to live in an institution if able to live in the community with appropriate support. DDA accelerated the process of deinstitutionalization in response to the court's ruling, though the administration had been moving individuals from the State residential centers to the community for nearly 20 years.

**Exhibit 1**  
**Growth in Funds for Community Services**  
**Fiscal 2000 – 2006**



Source: Maryland Operating Budget

The data in Exhibit 1 show the percentage increase in funding for home- and community-based services each year since fiscal 2000. Increases have been driven by the waiting list initiative, an initiative intended to provide a service for everyone on the waiting list for community services as of January 1, 1998. The initiative ended in fiscal 2003, though community services have continued to expand since that time. Another factor in the growth in funds has been the wage initiative. An average of \$16 million has been provided each year since fiscal 2003 to increase the wages of community direct service workers employed by private providers. The overlap of the waiting list and wage initiatives in fiscal 2003 resulted in a 12% increase in community services funding in that year.

Growth in federal funds has increased at a rate greater than the total increase in funds for community services. This reflects an effort by the administration to maximize available federal funds, achieved in a variety of ways. Growth in federal funds reflects, in part, efforts to expand availability of and enrollment in federal waiver programs, supported by regulations that require all eligible individuals to enroll in the waiver. As of January 2005, 9,134 individuals are enrolled. Modifications to the waiver also have increased federal fund attainment. Modifications to the waiver

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in fiscal 2004 provided reimbursement for absences and expanded the types of services eligible for federal fund participation. Smaller administrative changes have produced efficiencies that have further increased the rate of federal fund attainment. In fiscal 2006 federal funds are expected to cover nearly 40% of the cost of community services, a total of \$218 million.

## **Governor's Proposed Budget**

The fiscal 2006 allowance for DDA increases \$33.6 million over the fiscal 2005 working appropriation, an increase of 5.6%. The growth, detailed in **Exhibits 2** and **3**, is primarily attributable to increases in community services for community direct service wages, annualization of prior year placements, and fiscal 2006 community placements.

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**Exhibit 2**  
**Developmental Disabilities Administration – Budget Growth**  
**Fiscal 2004 – 2006**

	<b><u>FY 04</u></b> <b><u>Actual</u></b>	<b><u>FY 05 Working</u></b> <b><u>Appropriation</u></b>	<b><u>FY 06</u></b> <b><u>Allowance</u></b>	<b><u>FY 05-06</u></b> <b><u>% Change</u></b>
Program direction	\$4,515,389	\$4,666,032	\$4,760,365	2.0%
Community services	493,433,794	526,922,265	562,025,349	6.7%
<b>State Residential Centers</b>				
Rosewood	38,308,194	39,300,065	37,846,278	-3.7%
Holly	16,414,899	17,642,905	17,443,654	-1.1%
Potomac	8,966,585	9,411,995	9,446,539	0.4%
Brandenburg	3,777,148	4,141,866	4,205,436	1.5%
<b>Subtotal</b>	<b>\$67,466,826</b>	<b>\$70,496,831</b>	<b>\$68,941,907</b>	<b>-2.2%</b>
<b>Total</b>	<b>\$565,416,009</b>	<b>\$602,085,128</b>	<b>\$635,727,621</b>	<b>5.6%</b>

Source: Maryland Operating Budget

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**Exhibit 3**  
**Governor's Proposed Budget**  
**Developmental Disabilities Administration**  
(\$ in Thousands)

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimbursable Fund</b>	<b>Total</b>
2005 Working Appropriation	\$399,783	\$3,368	\$198,507	\$427	\$602,085
2006 Governor's Allowance	414,804	3,480	218,576	439	637,298
Contingent & Back of Bill Reductions	<u>-1,559</u>	<u>0</u>	<u>-11</u>	<u>0</u>	<u>-1,571</u>
<b>Adjusted Allowance</b>	<b>413,244</b>	<b>3,480</b>	<b>218,564</b>	<b>439</b>	<b>635,728</b>
Amount Change	\$13,461	\$112	\$20,057	\$12	\$33,642
Percent Change	3.4%	3.3%	10.1%	2.8%	5.6%

**Where It Goes:**

**Personnel Expenses**

Increments and other compensation.....	\$1,027
Contributions to employee retirement system .....	432
Workers' compensation premium assessment.....	-23
Accrued leave payout.....	-26
Abolition of four positions and elimination of position twice budgeted .....	-181
Salary reductions to reflect fiscal 2005 positions abolished .....	-254
Food service savings yet to be identified.....	-418
Turnover adjustments .....	-447
Employee and retiree health insurance .....	-1,180
Other fringe benefit adjustments.....	7

**Other Changes**

Fourth year of the initiative to increase wages of community direct service workers, per Chapters 109 and 110, Acts of 2001 .....	16,240
Annualization of fiscal 2005 community services placements .....	8,542
Transitioning youth services .....	4,206
Fiscal 2005 base adjustments to community services expenditures .....	4,180
Emergency placements .....	2,024
Expansion of services through placements from the waiting list.....	963
Resource coordination for support services .....	538
Behavioral supports .....	300
Insurance costs at the State residential centers .....	201

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**Where It Goes:**

Utility costs at the State residential centers .....	143
Food costs at the State residential centers.....	143
Grant to Special Olympics of Maryland .....	64
Psychiatric evaluation of forensic population.....	68
Reduction contingent on legislation authorizing use of Community Services Trust	
Fund to move 40 Rosewood Center residents to community placements .....	-1,227
Attrition in individual support services.....	-2,000
Other operating changes .....	320
<b>Total</b>	<b>\$33,642</b>

Note: Numbers may not sum to total due to rounding.

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**Personnel Expenses**

The inclusion of increments in the Governor’s proposed budget adds \$1.0 million to the DDA budget in fiscal 2006. Contributions to the employee retirement system add another \$0.4 million. These increases are offset by incremental reductions to the administration’s workers’ compensation premium assessment and reductions to accrued leave payout. Additional reductions of \$0.4 million and \$1.2 million reflect, respectively, an increase in turnover expectancy and an anticipated decrease in health insurance costs.

Position changes generate significant cost savings in the centers’ budgets. A total of seven positions were abolished in fiscal 2005, with savings only partially credited in the current fiscal year. The fiscal 2006 allowance is reduced \$0.3 million to fully realize position reductions. Four food service positions are abolished in fiscal 2006 as part of a department initiative to reduce costs in this area, producing additional cost savings of \$0.2 million. The department is in the process of identifying additional savings in food services, which will reduce the budget by an additional \$0.4 million.

**Direct Care Wage Increase**

The largest increase in the fiscal 2006 allowance provides for wage increases for direct care service workers employed by community providers. Concern that direct care staff employed by private providers were not being compensated at the rate of employees in State residential centers led to the development of an initiative to eliminate the wage disparity. Chapters 109 and 110, Acts of 2001 require the Department of Health and Mental Hygiene (DHMH) to increase rates of reimbursement for community service providers to eliminate the wage disparity over a five-year period. The fiscal 2006 allowance provides \$16.2 million for the fourth year of this initiative.

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### **Community Services**

Independent of the wage initiative, funding for community services increases \$19 million in the fiscal 2006 allowance. The increase is the result of annualization of prior year placements, emergency service placements, and expansion of services to individuals on the waiting list.

Approximately 1,000 people began receiving DDA community services in fiscal 2005. The total cost of these placements, made throughout the course of the fiscal year, will not be realized until fiscal 2006, when services are provided for an entire year. Annualization of these prior year community placements accounts for \$8.5 million of the fiscal 2006 increase in community services. The allowance also provides for the following new community placements in fiscal 2006:

- ***Transitioning Youth:*** This program funds supported employment and day services for students with developmental disabilities graduating from the school system. Eligibility for these services is independent of the severity of the individual's situation or the need for immediate service. An additional 255 individuals will be served by the \$4.2 million in the allowance for these services in fiscal 2006.
- ***Emergencies:*** The allowance provides \$2.0 million for emergency residential services. The funds will serve individuals in immediate need of service due to the severity of their condition or health of their caregiver. DDA expects nearly 50 individuals will be served on an emergency basis in fiscal 2006.
- ***Waiting List Placements:*** Despite significant increases in recent community placements, the current waiting list for community services includes nearly 15,000 individuals. The fiscal 2006 allowance provides \$0.9 million to reduce the size of the waiting list by extending residential services to 40 individuals. These placements will be supported with monies from the Waiting List Equity Fund in fiscal 2006.
- ***Support Service Conversions:*** The Medicaid waiver was expanded in fiscal 2004 to include individual and family support services. Funding increases \$0.5 million to continue to enroll all eligible recipients of support services in the Medicaid waiver.
- ***Behavioral Support Services:*** The allowance includes an additional \$0.3 million for these services, which include training in behavioral management for providers, additional staff assistance for individuals in crisis, and intermediate respite services for existing community placements. The addition of these funds reflects an increase in demand for these services.
- ***Individual Support Services:*** The administration will reduce the number of individuals receiving individual support services through attrition, reducing the amount of services provided by an estimated 200 slots in fiscal 2006. This action is expected to produce \$2.0 million in savings.

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The fiscal 2006 allowance also provides \$4.2 million for increasing patient costs for recipients of community services, an increase of less than 1% of the community services budget.

**Community Services Trust Fund for Community Placements**

The budget bill includes language that reduces the allowance for Rosewood Center by \$1.2 million contingent on legislation that provides funding for additional community placements in fiscal 2006. Language in budget reconciliation legislation would authorize DDA to use monies from the Community Services Trust Fund in fiscal 2006 to make 80 additional community placements. Forty slots would be reserved for individuals leaving Rosewood Center, with the other 40 slots reserved for individuals on the waiting list for community services.

The estimated fiscal 2006 cost of community placements is \$4.9 million: \$2.6 million from the Community Services Trust Fund and \$2.3 million in matching federal funds. If authorized, the cost of community placements would reduce the principal of the Community Services Trust Fund from \$10.1 million to \$7.5 million. The total cost of these placements, made throughout the course of the fiscal year, will not be fully realized until fiscal 2007, when annualization costs will be paid presumably with a combination of general and federal funds. The total annualized cost of these placements is detailed in **Exhibit 4**.

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**Exhibit 4**  
**Estimated Costs of Fiscal 2006 Expansion**

	<u>Partial Year</u> <u>Fiscal 2006 Costs</u>	<u>Source</u>	<u>Full Year</u> <u>Fiscal 2007 Costs</u>	<u>Source</u>
Emergencies	\$1,500,000	GF	\$3,000,000	GF
	523,958	FF	1,047,916	FF
Waiting List	676,950	SF	1,353,900	GF
	286,279	FF	572,558	FF
<i><u>Contingent</u></i>				
Rosewood Center	1,475,096	SF	3,051,761	GF
	1,308,104	FF	2,706,279	FF
Waiting List	1,121,904	SF	2,320,955	GF
	<u>994,896</u>	FF	<u>2,058,205</u>	FF
General Funds	\$1,500,000		\$9,726,616	
Special Funds	3,273,950			
Federal Funds	3,113,237		6,384,958	
<b>Total</b>	<b>\$7,887,187</b>		<b>\$16,111,574</b>	

Source: Department of Health and Mental Hygiene; Department of Legislative Services

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**Other Operating Changes**

Changes to the budgets of the State residential centers include a \$0.2 million increase in insurance costs. Increases in cost and usage of utilities increases the allowance by an additional \$0.1 million. Food costs increase \$0.1 million; this includes the cost of food at Rosewood and Holly Centers and the cost of a contract with Western Maryland Center to provide food for residents at Potomac Center.

Other changes to the allowance include a \$0.1 million increase in the amount of a grant to Special Olympics of Maryland and a \$0.1 million increase for additional psychiatric evaluation of defendants in the criminal justice system with co-occurring developmental disabilities and mental illness.

**Impact of Cost Containment**

The fiscal 2006 allowance reflects the elimination of \$343,493, the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

## *Issues*

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### **1. Results of the Second Year of the Wage Initiative Unclear**

DDA provides direct services to individuals with developmental disabilities in four State residential centers and through funding of a coordinated service delivery system of community services. As the State has shifted emphasis to a community-based system, the administration has increasingly become a purchaser, rather than a provider, of services for the developmentally disabled, contracting with private providers to offer services in supported living arrangements and residential settings.

Direct care workers employed by private providers are not compensated according to the State pay scale, creating disparities in wages relative to equivalent State positions. Chapters 109 and 110, Acts of 2001 require DHMH to increase the rate of reimbursement to community providers in order to eliminate the wage disparity over a five-year period. As required by law, the department has collaborated with the Community Services Reimbursement Rate Commission (CSRRC) to survey providers in order to determine the magnitude of the disparity; annual appropriations for the initiative are based on the results of these annual surveys.

#### **Reported Increases in Salary Minimal in Fiscal 2004**

CSRRC sent the 2004 wage survey to 120 private providers of community services requesting information on wages paid during a single February 2004 pay period. State law requires providers to comply with requests for wage survey information and establishes penalties for non-compliance. Beginning in 2004, DDA policy further requires all responses to be certified by a provider's independent accountant. Once submitted, private consultants and DDA staff assembled the data and followed up with providers as necessary to verify the information provided for both fiscal 2004 and the years prior.

Fiscal 2004 wage survey data, detailed in **Exhibit 5**, are based on the responses of 114 of 120 providers contracting with DDA. The results of the survey indicate that the funds appropriated for the wage initiative in fiscal 2004 had minimal impact on increasing wages for direct care workers: the base hourly rate for service workers increased by three cents per hour while the hourly rate for aides was unchanged. The value of fringe benefits for these employees has remained constant at 20% of annual salary, as measured by the survey.

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**Exhibit 5**  
**Employment Data for Direct Care Staff Employed by Private Providers**  
**Fiscal 2001 – 2004**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u> <u>FY 03-04</u>
<b>Aide</b>					
Average hourly rate	\$8.64	\$8.99	\$9.24	\$9.24	0%
Turnover	48%	45%	41%	35%	-15%
Average tenure (in months)	26	39	30	38	27%
<b>Service Worker</b>					
Average hourly rate	\$9.15	\$9.43	\$10.00	\$10.03	0%
Turnover	35%	44%	27%	35%	30%
Average tenure (in months)	29	45	40	44	10%

Source: Community Services Reimbursement Rate Commission

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State law requires all increases in the rate of reimbursement resulting from the wage initiative be used to increase the compensation of community direct care workers. Based on the results of the CSRRC survey, this does not appear to have occurred. The CSRRC report indicates that this may partially result from inconsistencies in the way individual providers classify aides and service workers from year to year.

### **DDA Survey Data Contradict Findings**

Errors in reported data have likely skewed survey results; data reported by DDA contradict the findings in the CSRRC report. Data derived from DDA annual wage and benefits cost surveys suggest that CSRRC survey data understate the amount of wage increases. The data, based on the responses of 86 providers, indicate that \$8.0 million of the \$14.6 million appropriated for direct care workers in fiscal 2004 was used to increase salary, with another \$1.8 million distributed as bonuses. Fringe benefits, estimated at 20.23% of total wages, would necessarily increase \$2.0 million as a result of these increases to salary. In total, these data suggest that a minimum of \$11.8 million of \$14.6 million appropriated was used to increase wages and benefits as required by law.

The wage initiative relies on complete and accurate data to determine progress in meeting the established goal of achieving parity in compensation for State and private direct care workers. The CSRRC, charged with compiling compensation data, has not been able to determine that the increases committed in State appropriations have reached their intended recipients, results contradicted by incomplete data compiled by DDA. **Given the importance of accurately determining the effect of increases intended for direct care staff, the Department of Legislative Services recommends**

**deferring the wage initiative for one year. Before funds are authorized for fiscal 2007, the Department of Health and Mental Hygiene should report on means to accurately determine the effect of increases on direct care salaries.**

## **2. Requests for Services Reflect Greater Anticipation of Need**

The waiting list initiative, which ended in fiscal 2003, was a five-year initiative to provide at least one State service to each person on the waiting list for community services. At the end of fiscal 2003, the initiative had provided at least one requested service to each of the 5,977 individuals on the waiting list as of January 1, 1998.

Expansion of community services has continued since the conclusion of the waiting list initiative. DDA estimates that it will serve 3,152 more individuals in fiscal 2006 than in fiscal 2003, bringing the total number served to 21,925. Despite these efforts to reduce the size of the waiting list, applications for services have exceeded the number of new placements each year, significantly increasing the number of people waiting for community services. More than 9,000 people on the waiting list have yet to receive State services.

Expansion of community placements through the waiting list initiative has brought ongoing attention to the availability of DDA services. **Exhibit 6** shows the growth in requested services since 1997, prior to the waiting list initiative. The number of requested services has increased more than 200% since 1997; however, the data also indicate changes in the types of services requested. Requests for services increasingly involve individual and family support services, which include respite care, purchase of medical equipment, architectural barrier removal, or transport. These services allow an individual to function at home, delaying the need for residential care. Requests for these services may indicate a gradual reduction in emergency requests for services as families plan for support services that will allow them to continue to care for a family member within the home.

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### **Exhibit 6 Requests for State Services 1997 and 2005**

	<b>1997</b>		<b>2005</b>	
	<b>Services</b>	<b>Percentage</b>	<b>Services</b>	<b>Percentage</b>
	<b>Requested</b>	<b>of Total</b>	<b>Requested</b>	<b>of Total</b>
Residential	1,330	27%	4,041	24%
Day	1,544	31%	4,792	28%
Support	2,137	43%	8,056	48%
Total number of services requested	5,011		16,889	
Total number of applicants	3,440		9,078	

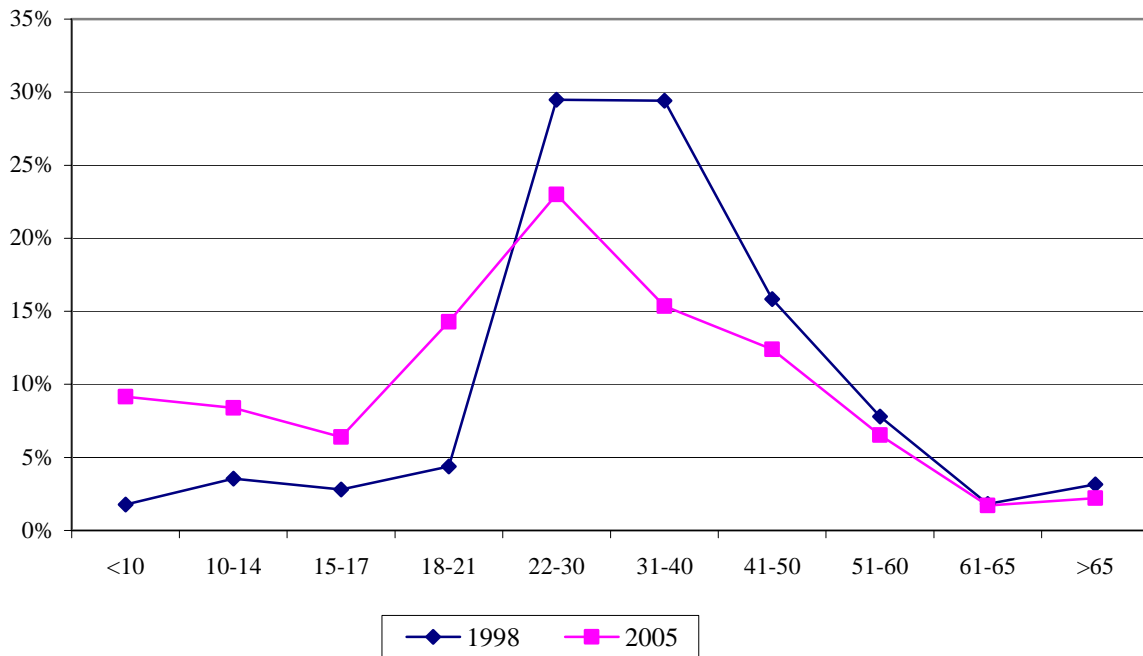
Source: Department of Health and Mental Hygiene

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Another indication of prospective planning for community services is reflected in the age of individuals for which DDA services are requested. **Exhibit 7** compares the age of individuals on the waiting list in 1998 to the age of individuals on the waiting list in 2005. The 1998 data indicate a significant increase in applications for services as individuals graduated from the school system. Only 13% of requests for services were made on behalf of individuals younger than 22 years of age. Since that time, awareness of the waiting list has encouraged families to prospectively apply for services: nearly 40% of individuals on the waiting list in 2005 are under the age of 22. DDA has supported families as they age out of the school system with continued expansion of the transitioning youth program, which provides day and supported employment services to recent high school graduates.

**Exhibit 7**  
**Distribution of Individuals on DDA Waiting List by Age**  
**1998 and 2005**



Source: Department of Health and Mental Hygiene

Although the data reflect unmet demand for services, there is reason to believe that requests for services reflect greater planning for future needs. Prospective planning on the part of individuals and families may allow the administration to similarly forecast demand for services, reducing the disruption and cost of providing services on an emergency basis. **The administration should comment on anticipated demand for services in future years.**

### 3. Reductions in Census Support Facility Closure

DDA provides services to individuals with disabilities in four State-operated residential centers and through support of a community-based service delivery system. The number of people served by DDA in the State's residential centers has declined steadily as the State has moved the majority of people served from institutional to residential settings. As a result of this effort and recent initiatives to increase the availability of community services, fewer than 2% of people currently served by the administration reside in the State's four residential centers: Rosewood Center, Holly Center, Potomac Center, and Brandenburg Center.

Each of the residential centers is serving a fraction of the population it served at its maximum capacity. With the exception of Rosewood Center, which accepts forensic clients ordered to the facility by the courts, the centers have accepted few new admissions in recent years. **Exhibit 8** shows the effect of deinstitutionalization on the number and profile of the remaining residents. With the halt of new admissions, the population served at the residential centers is older and more profoundly disabled than even nine years ago. The declining census at the facilities also contributed to a 73% increase in the cost per person from fiscal 1995 through 2004.

**Exhibit 8**  
**Resident Profile 1995 – 2004**

	<u>Rosewood</u>	<u>Holly</u>	<u>Potomac</u>	<u>Brandenburg</u>	<u>Total</u>
<u>1995</u>					
Census	284	191	119	54	648
Percentage older than 46	36%	20%	33%	54%	32%
Average cost per resident	\$123,523	\$74,657	\$76,756	\$66,025	\$100,370
<u>2004</u>					
Census	200	107	60	22	389
Percentage older than 46	58%	42%	59%	70%	54%
Average cost per resident	\$191,541	\$153,410	\$149,443	\$171,689	\$173,437

Source: Department of Health and Mental Hygiene

With reductions in census, the residential centers have not been able to maintain operating efficiencies, causing per capita rates to increase significantly. With decreases in census, closure or consolidation of residential centers is one of the last remaining options for containing institutional costs.

## **Identifying a Facility for Closure**

The size and capacity of each of the State residential centers is detailed in **Exhibit 9**. Rosewood Center, located in Owings Mills, is the largest of the State facilities, serving 198 residents. A January 2004 report issued by DHMH identified the facility as the best candidate for closure, noting the availability of residential providers, medical care, and alternate employment opportunities in the area. The report also noted that Rosewood Center is the oldest and most expensive of the facilities to operate as well as possesses the greatest potential for sale or redevelopment. Despite these arguments, Rosewood's status as the only of the residential centers accepting court-ordered admissions makes it infeasible to close the facility until a more secure facility is constructed; preliminary plans indicate construction will not be complete until fiscal 2010.

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### **Exhibit 9 Comparison of State Residential Centers Fiscal 2006**

<u>Facility</u>	<u>Authorized Positions</u>	<u>Licensed Capacity</u>	<u>Census</u>	<u>% Capacity</u>
Rosewood (Baltimore)	586	275	198	72%
Holly (Wicomico)	292	195	100	51%
Potomac (Washington)	148	95	59	62%
Brandenburg (Allegany)	65	45	22	49%

Note: Does not include proposed deinstitutionalization of 40 Rosewood Center residents in fiscal 2006.

Source: Department of Health and Mental Hygiene; Department of Legislative Services

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Both Brandenburg and Potomac Centers, with the small size of their resident populations and overlapping service areas, would appear to be candidates for closure; however, there are fewer advantages to closing Brandenburg Center. Brandenburg Center, in its relationship with and location on the campus of the Mental Hygiene Administration's Finan Center, operates with efficiencies that allow the center to recover a greater percentage of the cost of client care. Even if the center were to close, the property and facilities would remain under the department's watch. By contrast, the potential exists for other uses for the Potomac Center facility. The Washington County Board of Education has previously expressed interest in the property, which is located near other school property. Sufficient capacity exists at Rosewood and Brandenburg Centers, both within 75 miles of Hagerstown, to absorb residents displaced from the closing of Potomac Center.

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**Cost Savings Result from Closure**

Although certain costs are associated with facility closure, including relocation of DDA regional offices and possible reductions to federal financial participation payments, continued operation of four facilities is unsustainable in the long term. Savings result from the elimination of duplicative administrative services, with additional savings possible with the consolidation of ancillary programs, such as certain therapeutic services.

A conservative estimate of cost savings resulting from the closing of Potomac Center is detailed in **Exhibit 10**. Even assuming no cost reductions in direct patient care, consolidation could save an estimated \$0.6 million each year. The estimate is built on the expectation that overhead in areas such as administration, dietary, and household services would be reduced with the consolidation of facilities. The Department of Legislative Services (DLS) estimates that the cost of these functions would be reduced by at least half if residents were transferred to Brandenburg and Rosewood Centers. It is possible that costs could be further reduced by the consolidation of ancillary services such as physical therapy and clinical services.

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**Exhibit 10**  
**Estimated Potomac Center Closure Savings**

	<u>Full Year at Potomac</u>	<u>Transfer to Other Facility</u>	<u>Six-month Community</u>
<b>Institutional care</b>	<b>\$9,480,347</b>	<b>\$7,682,383</b>	<b>\$4,740,174</b>
GF	3,325,815	2,695,068	1,662,908
FF	6,154,532	4,987,314	3,077,266
<b>Community care</b>			<b>4,246,555</b>
SF			2,250,674
FF			1,995,881
<b>Closure costs (GF)</b>	<u>                    </u>	<b><u>327,619</u></b>	<b><u>327,619</u></b>
<b>Total</b>	<b>\$9,480,347</b>	<b>\$8,010,001</b>	<b>\$9,314,348</b>
GF	\$3,325,815	\$3,022,687	\$1,990,527
SF			2,250,674
FF	6,154,532	4,987,314	5,073,147

Note: Federal funds are deposited into the general fund and are not credited to the facility budget.

Source: Maryland Operating Budget; Department of Health and Mental Hygiene; Department of Legislative Services

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Certain costs are associated with facility closure. DDA estimates that ongoing security and maintenance at the site would cost \$0.1 million each year. Maintenance costs may not persist in the long term, however, if the site is sold or transferred to a third party. DDA also expects one-time costs of \$0.1 million to move the regional office and other tenants currently located on the Potomac Center campus. With additional miscellaneous costs of less than \$0.1 million, closure costs could total \$0.3 million in the first year.

Although net savings appear modest in the short term, there are several reasons to believe that long-term savings would exceed projections. Many closure costs are of a short-term nature; a tenant move, for example, would be a one-time cost. Security and maintenance costs would continue only until another organization assumed the property. In addition, it is likely that Rosewood and Brandenburg Centers would find efficiencies not assumed in the above projections. Across facilities, overhead accounts for nearly one-half of facility costs; the above estimates assumed modest reductions in overhead costs, but additional savings are likely across functions.

### **Community Placements Possible with Community Services Trust Fund**

The Community Services Trust Fund, which consists of proceeds of the sale of lease of property at the State residential centers, is used to provide community-based services to individuals on the DDA waiting list. The department has used the interest generated on the fund's \$10.1 million principal to expand access to community services in accordance with State law. A provision in budget reconciliation legislation would authorize DDA to use a portion of the principal to purchase community services for 80 individuals, specifically authorizing the move of 40 individuals from Rosewood Center. The fiscal 2006 budget assumes that these placements would cost \$4.9 million, with \$2.6 million derived from the Community Services Trust Fund.

The deinstitutionalization of Rosewood Center residents may not be the most effective use of State resources. As noted previously, Rosewood Center is the one residential center that must remain operational, as it houses the State's developmentally disabled forensic population. Until a new secure facility is completed in fiscal 2010, Rosewood Center must remain open. If 40 residents are moved from the facility, the average cost per resident will increase to nearly \$240,000 in fiscal 2006. As an alternative, the General Assembly may elect to amend budget reconciliation legislation to authorize the use of monies from the Community Services Trust Fund to place Potomac Center residents, and residents of any of the other centers, into the community.

Through a combination of community placements and transfers to other facilities, the administration would be able to close Potomac Center in fiscal 2006. Funds from the Community Services Trust Fund would be sufficient to deinstitutionalize all Potomac Center residents. Those residents who wish to continue receiving care in a State residential center would have that option, allowing a resident of an alternate facility to move to the community in fiscal 2006. Capacity exists sufficient to place Potomac Center residents in either institutional or community care. Funding would provide for a net reduction of 59 residents from the State residential centers in fiscal 2006, with priority given to current Potomac Center residents who wish to be placed in a community rather than an institutional setting.

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Although the net cost of community care exceeds the cost of the State residential centers, the availability of special and federal funds for this purpose would produce net savings for the general fund in fiscal 2006. The data in Exhibit 10 show estimated savings from moving Potomac Center if residents were moved from the facility by the end of December 2005. Expenditures from the general fund would be reduced by a total of \$1.3 million, though expenditures would increase in future fiscal years as funds from the Community Services Trust Fund would be available for a single year.

**To contain long-term growth in facility and personnel costs, DLS recommends closing Potomac Center in fiscal 2006. DLS recommends amending budget reconciliation legislation to allow principal from the Community Services Trust Fund to be used to purchase community-based services for 59 residents of the State residential centers affected by the closure of Potomac Center in fiscal 2006.**

## Recommended Actions

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- |   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 1. Delete funds for a grant to Special Olympics of Maryland. The amount of this grant increases more than 175% between fiscal 2005 and 2006, mitigating efforts to reduce non-essential spending in the State budget. | \$ 100,037 GF                      |
| 2. Add the following language to the general fund appropriation:  |                                    |

, provided that \$50,000 of this appropriation may not be expended until the Department of Health and Mental Hygiene submits to the budget committees a report on means to quantify the impact of funds appropriated to increase compensation for community direct service workers employed by private providers. The department shall also propose a methodology for quantifying the impact of future appropriations for this purpose. The report shall include recommendations to ensure that all funds appropriated in future fiscal years are used to increase employee compensation as required by law. The budget committees shall have 45 days to review and comment on the report prior to the release of funds.

**Explanation:** The Community Services Reimbursement Rate Commission is required to survey private providers of community services to determine the amount of salary increases resulting from appropriations to increase compensation for community direct service workers. The results of the fiscal 2004 survey indicate that funds appropriated in that year did not substantially increase wages, a finding contradicted by provider cost data compiled by the Developmental Disabilities Administration. This language requires the department to submit a report estimating the impact on salary of past increases. The language also requires the department to propose a methodology for determining the impact of any future appropriations for this purpose.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on means to determine the effect of appropriations for salary increases	DHMH	45 days prior to release of funds

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	<b><u>Amount</u></b>	
	<b><u>Reduction</u></b>	
3. Delete funds for the fourth year of the initiative to increase compensation for community direct service workers. This initiative should be deferred until the administration can establish means for accurately determining the amount of funds used to increase employee compensation as required by law.	11,205,307	GF
	5,034,268	FF

4. Add the following language to the general fund appropriation:

. provided that \$4,395,650 of this appropriation shall be reduced contingent upon the enactment of legislation that provides funding for community placements for 59 residents of the State residential centers for the developmentally disabled during fiscal year 2006. Further provided that it is the intent of the General Assembly that Potomac Center be closed by the end of fiscal 2006 with all residents moved to the community or other State facilities.

**Explanation:** This language reduces funds for Potomac Center contingent on enactment of budget reconciliation legislation that would provide funding to deinstitutionalize 59 residents of the State residential centers in fiscal 2006. This number is equivalent to the average daily census of Potomac Center, allowing for a combination of community placements and facility transfers to effect the closure in fiscal 2006. The reduction still provides funding equivalent to six months of operations at Potomac Center plus closing costs of \$327,619.

<b>Total Reductions</b>	<b>\$ 16,339,612</b>
<b>Total General Fund Reductions</b>	<b>\$ 11,305,344</b>
<b>Total Federal Fund Reductions</b>	<b>\$ 5,034,268</b>

***Current and Prior Year Budgets***

**Current and Prior Year Budgets  
Developmental Disabilities Administration  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$396,412	\$3,185	\$154,693	\$451	\$554,740
Deficiency Appropriation	3,869	0	0	0	3,869
Budget Amendments	-827	85	24,299	49	23,606
Cost Containment	-16,177	0	0	0	-16,177
Reversions and Cancellations	0	-476	-73	-74	-622
<b>Actual Expenditures</b>	<b>\$383,277</b>	<b>\$2,794</b>	<b>\$178,919</b>	<b>\$426</b>	<b>\$565,416</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$398,712	\$3,323	\$198,507	\$427	\$600,969
Budget Amendments	1,071	45	0	0	1,116
<b>Working Appropriation</b>	<b>\$399,783</b>	<b>\$3,368</b>	<b>\$198,507</b>	<b>\$427</b>	<b>\$602,085</b>

Note: Numbers may not sum to total due to rounding.

**Fiscal 2004**

A general fund deficiency appropriation of \$3.9 million was provided to compensate for the cost of a fee on State intermediate care facilities for the mentally retarded, offset by a \$0.5 million reduction to realign health insurance and telecommunications expenditures among departmental units. Funds were further reduced by \$0.3 million to cover operating deficits in other units of the department; funds were primarily available due to higher-than-anticipated turnover rates. Cost

### ***M00M - DHMH Developmental Disabilities Administration***

containment further reduced the general fund appropriation \$16.2 million as federal funds were available from expansion of and modifications to the State's Medicaid waiver.

The special fund appropriation increased to recognize the availability of additional funds, primarily from tenants of the State residential centers. Funds were cancelled as the amount of donated funds was lower than originally anticipated.

The federal fund appropriation increased \$24.2 million as a result of increased attainment of Medicaid matching funds. Increases were available due to increased enrollment in the Medicaid waiver and revisions to the State waiver approved by the federal government in 2003. The majority of increased funds supported community services, with a small amount of the increase used for a data system to manage payments for community providers.

The reimbursable fund appropriation increased \$48,950 to recognize funds available from the Maryland Emergency Management Agency for expenses related to Hurricane Isabel. Funds were cancelled due to lower than anticipated costs for laundry services.

### **Fiscal 2005**

The general fund appropriation increased \$1.0 million to recognize the fiscal 2005 cost-of-living adjustment, offset by a \$0.1 million reduction to realign funds among departmental units to accurately reflect position cap reductions.

## ***Audit Findings***

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Audit Period for Last Audit:	January 1, 2000 – December 31, 2002
Issue Date:	October 2003
Number of Findings:	12
Number of Repeat Findings:	1
% of Repeat Findings:	8%
Rating: (if applicable)	n/a

- Finding 1:** DDA lost as much as \$22 million in federal revenue for services provided during fiscal 2002 because eligibility certifications were not completed for the maximum number of clients for whom funding was allowed.
- Finding 2:** DDA did not monitor the submission of federal fund reimbursement requests by providers. An estimated \$3.7 million in additional federal funds could be recovered for one type of service provided during fiscal 2002.
- Finding 3:** **Federal fund reimbursements were not requested in a timely manner, resulting in a loss of interest income to the general fund of approximately \$2 million for services provided during fiscal 2002.**
- Finding 4:** DDA did not have assurance that certifications of client eligibility for federal funds were properly performed.
- Finding 5:** DDA generally did not verify that client level of care assessments completed by providers were appropriate, and the assessments were not always completed.
- Finding 6:** Fiscal year-end settlements were completed using monthly client attendance reports submitted by providers rather than certified attendance data.
- Finding 7:** DDA took no enforcement action against providers that did not submit required monthly client attendance data and annual cost reports by the required due dates.
- Finding 8:** DDA did not ensure that enhanced funding paid to providers to increase the wages of direct service workers was used for that purpose, or that wage data reported by providers was accurate and timely.
- Finding 9:** DDA did not adequately manage PCIS implementation, resulting in the vendor being paid approximately \$2.4 million for a system that lacked certain functionality, and for which implementation was significantly delayed.

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**Finding 10:** The selection of the vendor awarded the PCIS enhancement contract was not sufficiently documented.

**Finding 11:** DDA could not substantiate that its use of waiting list initiative funding during fiscal 1999 to 2003 fulfilled the intent of the initiative.

**Finding 12:** DDA did not ensure that payments to providers of Community Supported Living Arrangements were based on actual hours of service provided to clients, as required by State regulations.

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
DHMH – Developmental Disabilities Administration**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1249.15	1240.15	1235.15	-5.00	-0.4%
02 Contractual	69.01	105.12	105.14	0.02	0%
<b>Total Positions</b>	<b>1318.16</b>	<b>1345.27</b>	<b>1340.29</b>	<b>-4.98</b>	<b>-0.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 59,290,861	\$ 62,939,922	\$ 62,220,676	-\$ 719,246	-1.1%
02 Technical & Spec Fees	2,523,955	3,431,563	3,457,562	25,999	0.8%
03 Communication	322,911	370,628	374,156	3,528	1.0%
04 Travel	47,058	57,950	55,539	-2,411	-4.2%
06 Fuel & Utilities	2,054,238	2,062,828	2,206,192	143,364	6.9%
07 Motor Vehicles	303,205	302,568	317,573	15,005	5.0%
08 Contractual Services	497,269,393	529,608,578	565,009,372	35,400,794	6.7%
09 Supplies & Materials	2,644,043	2,540,281	2,642,459	102,178	4.0%
10 Equip - Replacement	492,686	275,319	275,891	572	0.2%
11 Equip - Additional	144,160	40,074	15,899	-24,175	-60.3%
12 Grants, Subsidies, and Contributions	14,958	49,797	120,339	70,542	141.7%
13 Fixed Charges	308,541	405,620	602,494	196,874	48.5%
<b>Total Objects</b>	<b>\$ 565,416,009</b>	<b>\$ 602,085,128</b>	<b>\$ 637,298,152</b>	<b>\$ 35,213,024</b>	<b>5.8%</b>
<b>Funds</b>					
01 General Fund	\$ 383,277,158	\$ 399,783,396	\$ 414,803,592	\$ 15,020,196	3.8%
03 Special Fund	2,794,029	3,368,149	3,480,287	112,138	3.3%
05 Federal Fund	178,918,586	198,506,826	218,575,555	20,068,729	10.1%
09 Reimbursable Fund	426,236	426,757	438,718	11,961	2.8%
<b>Total Funds</b>	<b>\$ 565,416,009</b>	<b>\$ 602,085,128</b>	<b>\$ 637,298,152</b>	<b>\$ 35,213,024</b>	<b>5.8%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary**  
**DHMH – Developmental Disabilities Administration**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Developmental Disabilities Administration	\$ 497,949,183	\$ 531,588,297	\$ 566,839,835	\$ 35,251,538	6.6%
02 Rosewood Center	38,308,194	39,300,065	39,220,541	-79,524	-0.2%
05 Holly Center	16,414,899	17,642,905	17,517,323	-125,582	-0.7%
07 Potomac Center	8,966,585	9,411,995	9,490,347	78,352	0.8%
09 Joseph D. Brandenburg Center	3,777,148	4,141,866	4,230,106	88,240	2.1%
<b>Total Expenditures</b>	<b>\$ 565,416,009</b>	<b>\$ 602,085,128</b>	<b>\$ 637,298,152</b>	<b>\$ 35,213,024</b>	<b>5.8%</b>
General Fund	\$ 383,277,158	\$ 399,783,396	\$ 414,803,592	\$ 15,020,196	3.8%
Special Fund	2,794,029	3,368,149	3,480,287	112,138	3.3%
Federal Fund	178,918,586	198,506,826	218,575,555	20,068,729	10.1%
<b>Total Appropriations</b>	<b>\$ 564,989,773</b>	<b>\$ 601,658,371</b>	<b>\$ 636,859,434</b>	<b>\$ 35,201,063</b>	<b>5.9%</b>
Reimbursable Fund	\$ 426,236	\$ 426,757	\$ 438,718	\$ 11,961	2.8%
<b>Total Funds</b>	<b>\$ 565,416,009</b>	<b>\$ 602,085,128</b>	<b>\$ 637,298,152</b>	<b>\$ 35,213,024</b>	<b>5.8%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.